Vol 6 #2

Spring 2014

Justice Rising

Grassroots Solutions to Corporate Rule

The big-bank model for financing public infrastructure and government operations is irresponsible.

Detroit Statement, Page 2

Public banking, which focuses on a transfer of taxpayer deposits into public control, for public benefit, is the engine of a more democratic economy.

Gwendolyn Hallsmith, Page 4

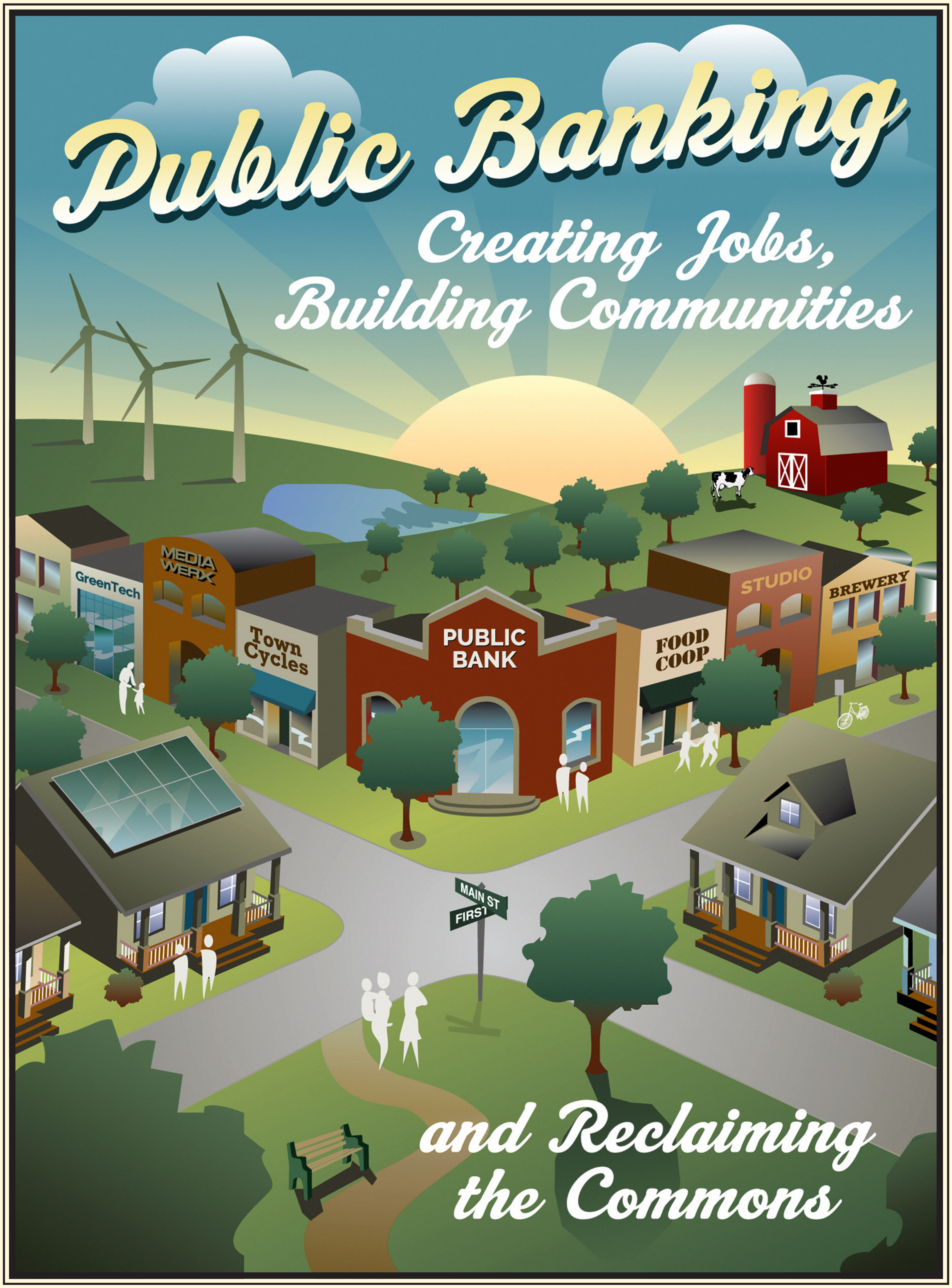
Currency should be "uniform, sound, cheap, stable, and elastic."

Greenback Presidential Candidate General George Butler, Page 5

America's 30,000 Post Offices should offer desperately poor working families short-term emergency payday loans.

USPS Inspector General, Page 12

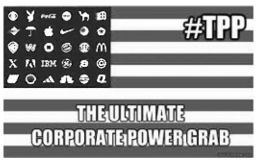
A Publication of Alliance for Democracy



"The issue is not the issues; the issue is the system." — Ronnie Dugger

Alliance for Democracy (AfD). Since 1996, AfD has focused on liberating our cultural, economic and political systems from domination by trans-national corporations and the wealthy 1%. Working with our members and chapters, and in alliance with like-minded groups, AfD is building a strong national peoples' movement to end corporate rule and develop positive alternatives.

AfD's Four Major Campaigns



Corporate Globalization/Positive Alternatives. Presently, we are focusing on stopping the Trans-Pacific Partnership Trade Agreement (TPP) that would extend corporate/financial rule to many of the countries bordering the Pacific and further trample local democracy. Building local resistance through TPP-Free Zones is key, as well as opposition to "fast tracking" TPP approval by Congress.

PUBLIC BANKING CENTER

Public Banking. We must also end the stranglehold which Wall Street has on small businesses, our homes, and our communities. Public banks create public money for the public good. AfD is supporting local and state campaigns to create public banks.

Local Food RULES

Community Rights Not Corporate Rights/Local Food Ordinances. To promote community rights, not corporate rights, AfD is supporting the local movement of resistance to the federal/state regulatory system which serves the interests of corporate agriculture and harms local farmers. This resistance includes local laws to protect local farmers and their customers.

Defending Water for Life. Water is a fundamental right for people and nature, not to be commodified or privatized for corporate profit. AfD supports local community resistance, including rights-based law. We are also campaigning against the proposed East-West Super Corridor in Maine, which could be used for the commercial export of water.

AfD Provides Resources for Active and Concerned Citizens

AfD's Media Programs Go National. Populist Dialogues, the Portland Chapter's cable TV program, and Corporations & Democracy, Mendocino Chapter's radio program, feature lively interviews on critical issues you won't hear on corporate-owned TV and radio. They are available at www.PopulistDialogues.org and http://afdradio.org

AfD Website. To keep current with these campaigns, to bring AfD's media programs to your community, and to find organizing resources, make the Alliance website www.thealliancefordemocracy.org one of your favorites.

ALLIANCE FOR DEMOCRACY
P. O. Box 540115 • Waltham, MA 02454-0115
781-894-1179 • afd@theallianceforddemocracy.org
www.theallianceforddemocracy.org

Public Banks:
Creating Public Money for the Public Good

by Ruth Caplan

After the 2009 financial meltdown, we published an issue of *Justice Rising* with our analysis of the crisis. This was followed by an issue pointing to positive solutions. Now, several years later, with the global financial risk greater than ever, we are focusing on public banking as a positive, systemic response.

Our vision is for a network of public banks at the municipal, county, state and eventually national levels, where our tax dollars and other government revenues are used to create vibrant, healthy communities. This includes growing local businesses, creating local jobs, investing in environmentally sustainable initiatives, and meeting social needs like affordable housing.

This should be done in tandem with creating a consumer/retail postal bank to meet the needs of the unbanked, who are being exploited by payday lenders. Over time, this postal bank could expand to meet a broader range of retail banking needs, following in the footsteps of the Kiwi Bank in New Zealand.

To round out the democratization of finance, we need local currencies and barter systems like LETS (Local Exchange Trading System) and a truly public Federal Reserve at the national level so our federal government is no longer weighed down by debt to the private banks. We might even want to follow the road blazed by President Lincoln's "greenbacks" during the Civil War and implement the Constitutional prerogative of the federal government, "To coin Money, regulate the Value thereof" by having the government issue its own money.

Nineteenth century Populists understood the power of the Eastern Bankers. In addition to creating cooperatives across the western half of the country, they also tried, but failed, to create an alternative national currency. However, in our early history, the Colony of Pennsylvania set up its own banking system promoted by Ben Franklin to pump needed money into the colony and avoid the noose of England's banks. When Franklin had the temerity to let England know how well the system was working, the English bankers saw to it that the system was shut down. Later, the bankers managed to do away with Greenbacks after the Civil War. So we should anticipate that Wall Street will use every means available to maintain their hegemony over the global gambling casino, aka the modern financial system. This means a strong broad-based movement for pubic banking is essential.

Today we can look to the Bank of North Dakota for inspiration. Created in 1919 as a public bank, BND's success today is the result of decades of growth and setbacks until the current highly successful institution has emerged. We can also look at public banks around the world, representing about 40% of all banks. As reported by Ellen Brown in *The Public Bank Solution,* public banks top the list of many banking criteria:

- Japan Post Bank has the most deposits;
- Royal Bank of Scotland has the most assets;
- State Bank of India has the most branches;
- KfW in Germany is the world's safest bank.

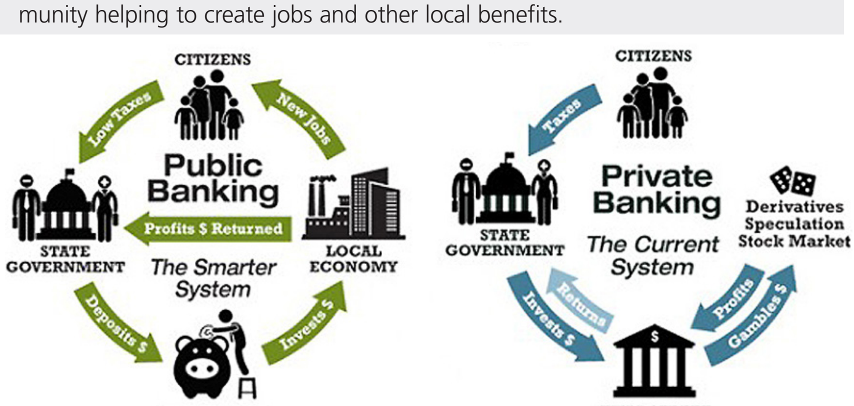
This issue of *Justice Rising* is dedicated to the campaigns around the country which are organizing for public banking and to Ellen Brown and the Public Banking Institute for leading the way.

How do banks create money?

When a bank makes a loan, it doesn't actually loan out depositors' money. The bank just makes accounting entries. Then these loans are deposited in other banks, first by the loan recipient and then by those to whom they pay for goods and services. These banks, in turn, make more loans. Money is made available by these accounting entries all along the way. The bank retains a cash reserve for when the depositors withdraw their money. As long as there is not a "bank run" by nervous depositors, the system appears to work fine. This is the hocus-pocus of the banking system.

What about the Federal Reserve? When banks need cash to pay depositors withdrawing money, they turn to the Fed which creates the money for the loan. More importantly, the Fed has engaged in massive "quantitative easing" policies where it has been buying $85 billion of government and mortgage bonds every month, using no more than accounting entries on its financial books to create more new money. This has served to buoy up the Wall Street banking system leaving it free to continue to engage in the global gambling casino.

And public banks? They can create money in the same way, by making loans. But while Wall Street banks rarely invest in local communities, even when local governments deposit their revenues in these banks, public banks make their loans to serve the community and the money created is more likely to stay in the community helping to create jobs and other local benefits.



graphic: Public Banking Institute

In Solidarity with the People of Detroit . . .

We call for a public solution to the crises caused by predatory banks and crony capitalism.

Detroit's "bankruptcy" demonstrates the failure of the big-bank model to fulfill the obligations that enable the American dream. In the early 20th Century, as industrialization of cities increased in earnest, Detroit and other cities developed around a social contract – embodied in documents such as the "Treaty of Detroit" between the United Auto Workers and General Motors in 1950. The excesses of capitalism would be tempered by community responsibility; working class people would benefit along with the owning class; and shared sacrifice would minimize the impacts when times were bad.

Crisis was not inevitable. Since America's founding, there have been many ways to finance government services and the long-term economic security of public workers. However, in Detroit, and scores of other cities, increasingly aggressive and influential big banks lured governments into murky and inequitable financing schemes that, in many cases, were known by the banks themselves to be volatile and likely to fail. Privatized finance cannot avoid incentives to bet on failure if it's profitable to do so. The result was arrangements in which the big banks exploited imperfect information and unequal power relations in their plunder of Detroit's collective labor and wealth.

Increasingly aggressive and influential big banks lured governments into murky and inequitable financing schemes that, in many cases, were known by the banks themselves to be volatile and likely to fail.

Financing of public goods through such unfair, unstable and even fraudulent schemes is the apex of social irresponsibility through crony capitalism. Detroit starkly demonstrates that, when government becomes a subsidiary of private finance, the bankers "socialize" the harms during bad times (while exempting those at the top of the economic hierarchy from virtually all costs and negative externalities), while they privatize the gains during good times. It is no coincidence that these poor financial decisions were made in the midst of the engineered deindustrialization of American cities. Nor is it coincidental that all of this has been accompanied by a racist and classist rhetoric of "failure," "incompetence," and "corruption;" Nor that it occurs in a context of privatization of every sphere of social life, a vanishing commons, and hollowing out schools, transportation, public safety, public health, food assistance, job training, public parks, postal services and the arts. Every aspect of dignified, collective social life is bled dry, then declared to be "too expensive" and a "failure" and therefore subject to privatization.

The big-bank model for financing public infrastructure and government operations is irresponsible. It is not only destructive, but there are much better feasible alternatives. The use of interest to extract maximum value from borrowers is far from the only way to bank. From the *montes pietatus* of medieval Franciscan monks, to the tally system used in England for at least five centuries, to the no-interest arrangements in versions of Islamic banking, to Quaker banks in colonial America, history is rich with examples of banking in the public interest. The Bank of North Dakota demonstrates how public banks can issue credit at low or even no-cost to cities and states; offer bridges to residential, agricultural, and public works financing; partner with responsible private entities to encourage conscious entrepreneurship; provide liquidity; and open and maintain safe bond accounts when bond funding is necessary. Postal banks in the United States and Canada, which still exist in Japan, historically provided financial services to otherwise under served communities, governed through a lens of public service rather than profit-driven interest and exorbitant fees. The failure of the big bank model provides us with opportunities for returning to our future of shared prosperity, equitable development and socially just stewardship of our commons,

We seek a network of public banks adhering to the standards of good governance and democratic participation, to stand separate from the existing network of self-serving and profit-seeking private banks that exploit and loot our cities.

An emerging mosaic of movements support public banks, either initially as supplements to smaller and more manageable banking practices, or eventually as part of a larger paradigm shift to cooperative sustainability. Public banking can be the motor of a new economy of resiliency and material security for urban America, and for all of us. Creating a democratic economy with truly public financing of public goods is a step we can take right now. Otherwise, the transition to a sustainable economy risks being undermined by the exploitation of cumulative interest to extract wealth, and the use of compound interest as a weapon for the powerful to exact their will against the powerless.

We salute the people of Detroit for resisting a bail-in bankruptcy they did not create. We call on state, county, and municipal governments to open public banks. We ask policy makers and citizens to take further steps to democratize our economy.

Over sixty concerned citizens and groups including journalist Chris Hedges, Doctor Margaret Flowers and the economist Richard Wolff have signed onto this statement. Go to www.publicbankinginstitute.org/detroit-statement.htm to see the full list and to sign on.

Accumulating Violence

photo: City-analysis

by Jeremy Mohler

The very real, and still unfolding, dangers of privatized banking are blatant and well-documented, yet in the mainstream discourse — corporate media, Congress, etc. — there appears to be no alternative. Our instructions say keep depositing paychecks into Bank of America's safekeeping, and keep borrowing from Citibank, but never remember that both banks were saved with public money a little more than five years ago. And ignore that in those five years, the wealthiest one percent in the US have captured 95% of the country's economic growth, while the bottom 90 percent have become poorer. The well-known refrain is right on: the public recapitalization of the big banks socialized losses so gains could remain private.

Mainstream reaction to this ridiculous situation discourages thinking outside its conceptual limits. Why else would people accept such absurdity? Private banking isn't as natural as it seems. Financial capitalism that turns mortgages into traded commodities is a neoliberal, public-private project. While the private sector is the dominant actor, the government, because it has been shaped towards protecting certain private interests, is likewise to blame.

Multinational corporate banks speak in the key of market fundamentalism — insisting that individual freedom is symmetrical to private freedom in the markets — yet they play a different tune. They rely on and lobby for certain regulation that allows them, and very few others, to accumulate increasing amounts of capital; Hence the American Bankers Association's relentless efforts to eliminate the credit union tax exemption. But the way we tend to talk about the economy is narrowed to a frame of government vs. the market, which restricts the conversation to finding the right mix of market and regulation, and disrespects alternatives.

Dodd-Frank expresses the impotency of any such mix. Under current US Chapter 11 bankruptcy law, derivatives receive "superpriority" status if a bank goes under, meaning an investor in derivatives can seize and immediately liquidate a bank's assets to get paid before anyone else. Actual deposits made by individuals receive no such protection — if a bank fails, and what's called a "bail-in" occurs, depositors would pay before the derivative holder.

Law Professor Mark J. Roe has concluded in the Stanford Law Review that Dodd-Frank lacks the needed changes to rein in this derivative superpriority rule, and that bankruptcy law is still tilted in favor of derivatives and other shadowy investments. Yet Jamie Dimon has said that Dodd-Frank has increased the cost of doing business, making it harder for smaller banks to compete with his JP Morgan Chase. In short, in the present system, where private banks are "regulated" by public officials, mega-capital continues to win while everyone else loses.

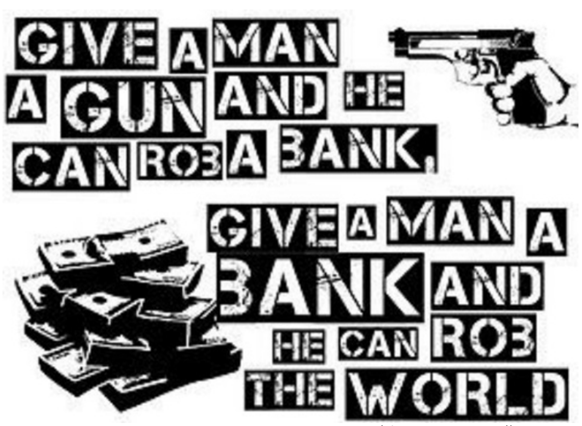
Restructuring the banking system would be a rare instance of true democracy.

We know that global financial capitalism pushes violence downwards — the ongoing job losses, foreclosures, and so on — but it also complicates democracy. The language required to understand it zips over most of our heads. Democracy in the neoliberal state is democratically impotent as long as we always use status quo market logic to solve problems themselves induced by that same logic. Why else would serious efforts to address climate change be impossible to pursue?

Thus, restructuring the banking system would be a rare instance of true democracy. That would be egalitarian decision-making in the face of domination — people collectively demanding the right to something that a powerful few hold closely.

So, I now return to the original confusion about alternatives. One of the more absurd aspects of the post-crisis era is all the talk about the government's so-called fiscal irresponsibility, while corporate banks and elite investors still work in the shadows. Public money saved the economy yet they say the government needs fixing. But culpability implies an underlying responsibility. Perhaps if we can rewrite the framing of how banking is talked about, recalibrating it away from the binary of government vs. the market, alternatives like public banking may start to seem natural themselves.

Jeremy Mohler is a writer living in Washington, DC.



graphic: Occupy Wall Street

Public Banking & Economic Democracy

by Gwendolyn Hallsmith

Private banks have not always been accepted institutions, fixtures of commerce, and purveyors of most of our economic transactions. Throughout US history, there have been robust public conversations about banks, largely due to their propensity to derail the economy when their business models fail. One example of this was in rural Vermont in 1806, when the state established their first public bank. Testimony on that bill, from Governor Tichenor lays out the problem:

> *Banks, by facilitating enterprises both hazardous and unjustifiable, are natural sources of all that class of vices which arise from the gambling system and which cannot fail to act as sure and fatal, though slow, poisons to the republic in which they exist.*

The current public banking discussion revives this tradition after 100 years of a private central banking model that has failed us. Private banks are behind the rapidly growing disparity between the rich and the poor, due to their need for a boom and bust, bubble-making "growth" economy, which drives impoverishment and ecological devastation.

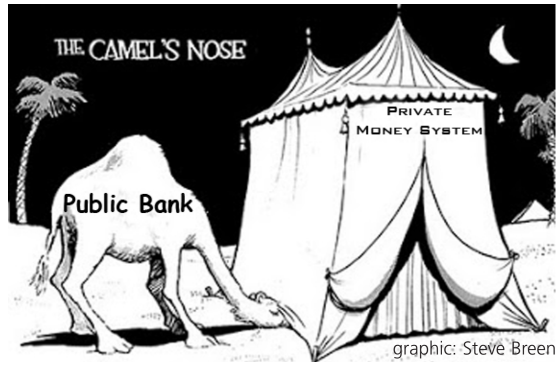
Public banks can be used to catalyze real change that is needed to transform the money used to drive the economy.

Income inequality in the US is the highest it has been since 1928 and has grown exponentially over the last 40 years. The concentrating force of the debt-based banking system used to be offset by progressive taxation, but with its demise in the Reagan years, the systemic extraction of wealth from nature and people, which is transferred to those at the top, has gone unchecked.

Ecologically, we are now in the midst of a human-made species extinction larger than any other in Earth's history. Climate change threatens our food supply, as areas of drought and flooding change rapidly. The "growth" economy demands ever-increasing production and consumption to fuel the insatiable appetite of the money system.

An economic operating system that has these problematic side effects would not be chosen knowingly by the world's population. People everywhere recognize that we need a healthy environment. People would not support rampant poverty either, if we only had a choice in the matter.

The Earth Charter Commission undertook something like a global poll about the principles we needed to adopt if we are to have any hope of peace and sustainability. The result was the Earth Charter, an internationally adopted document that outlines an ethical manifesto for our future. It recognized the inherent linkages between social justice and environmental health, which demand democratic governance and a deep sense of



graphic: Steve Breen

respect and care for the whole community of life.

Public banking, which focuses on a transfer of taxpayer deposits into public control, for public benefit, is the engine of a more democratic economy. In Vermont this past month, 18 cities and towns voted to direct the state legislature to create a Public Bank. In Pennsylvania, the City of Reading is establishing a public bank, and Philadelphia is not far behind. Senator Elizabeth Warren just endorsed the idea of post office banks. Other variations include land banks in Ohio, Green Banks in New York, plus traditional public finance options from Community Development Corporations for local and regional economic development to state lending agencies designed to offset market gaps for business, home, student, and municipal finance.

Creating public banks can be the democratic camel's nose under the tent of the privatized monetary system. We start with public control of public money – creating banks where deposits of taxpayer dollars are used to finance economic development, education, and infrastructure. Over the long term, these public banks can be used to catalyze real change that is needed to transform the money used to drive the economy. Public banks on their own do not accomplish this, they merely transfer profits made by economic development lending from the private banks to the public coffers. Public banks can, however, set up systems where a public monetary utility could be established, where Time Banks and commercial barter systems can be facilitated, and their units leveraged for tax payments.

Democracy works when all constituents feel they have a voice in the decisions that affect their lives; it fails when people believe their voices are overpowered by others. Corporate personhood, corporate media, and widespread economic inequality have hijacked our democracy. We need to reassert democratic control over the creation and circulation of money to restore the values of democracy our heritage demands. Public banking can help us do this, especially with the recognition that it is one step in building economic democracy through monetary reform.

Gwendolyn Hallsmith is the Executive Director, Public Banking Institute

Battle for Control of the Monetary System

The Public Good vs. Private Banks

Let us control the money of a nation, and we care not who makes its laws" –Maxim of the House of Rothschilds

by Jim Tarbell

Money's invention 2300 years ago provided humans with a powerful tool to carry on an economic system. But maximum benefit of that tool depends on the monetary system serving the common good. We all rely on a well-functioning monetary supply for our daily bread. For the first two thousand years, maximum benefit from the monetary system was ensured by keeping the money supply under public control.

As capitalism developed, and wealthy merchants increasingly exercised the private power that money gave them, a pitched public vs. private battle grew over control of monetary systems. Amsterdam, with its flourishing markets, became the center for this confrontation, and the city leaders took steps in 1609 to stop the private manipulation of the money supply for private benefit. They established the publicly controlled Bank of Amsterdam that reinstated a reliable monetary system. The battle then shifted to England where financial speculators took control of British money when they established the privately-owned Bank of England at the end of the 1600s.

The ever-more powerful British merchant class that had taken over the Bank of England spread their political power to the colonies. Intent on forcing the American colonists to consume British manufactures, they hampered trade among the colonists by restricting the circulation of money. In order to work around London's control, several colonial governments issued their own money, which catalyzed economic growth in the colonies.

The British responded by passing the Currency Act of 1764 outlawing colonial currencies in America. Colonial outrage at this prohibition led Benjamin Franklin to point out that the biggest cause of the American Revolution was "the prohibition of making paper money."

After the Revolution, popular sentiment favored publicly-controlled money. But once Alexander Hamilton, the scion of wealthy Hudson Valley estate owners and friend of British banks in New York, became Washington's Secretary of the Treasury, he turned the money supply over to private control by establishing the speculator-run Bank of the United States

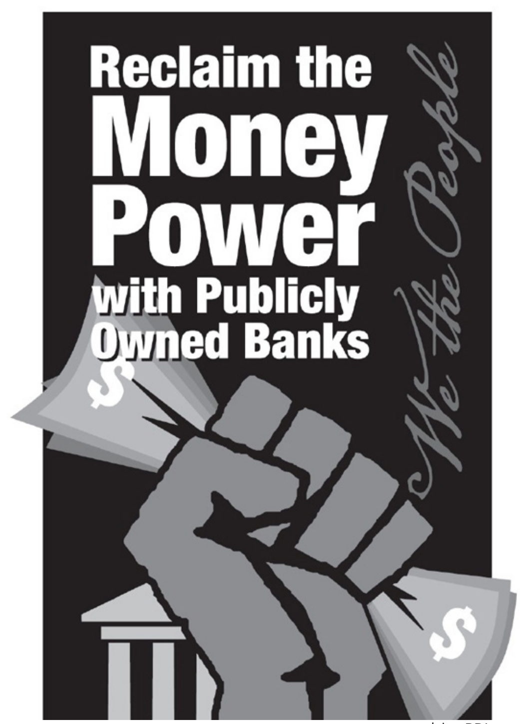
Public confidence in both Hamilton and the Bank quickly deteriorated after many transgressions, which started a struggle over the monetary system that lasted 40 years. President Jackson's veto of the Second Bank of the United States ended that particular struggle in 1832, but Jackson failed to create a public authority over the monetary system and the American money supply devolved into a chaotic system of some 1600 state banks issuing 7000 different currencies. The failures of this system destroyed the public confidence in the banking system so much that when California became a state in 1849 banks were not even allowed to exist there.

Facing this anarchic system and the need to finance the Civil War, the Lincoln administration started printing "greenbacks" as a currency based upon the good will of the government. For years it was a highly trusted, popular success, instigating the rise of the Greenback Party whose 1884 Presidential candidate General George Butler made the logical declaration that currency should be "uniform, sound, cheap, stable, and elastic," while warning that returning the money supply to private hands would lead to deflation and devastation. Even though Greenbackers and their Populist allies represented over half the populace, the political power of the robber barons in the latter half of the 1800s managed to extinguish the Greenback currency and base the US money supply on gold, leading to rampant deflation and devastation of the farm sector.

For the good of us all, the time has come to reinstate public control of the monetary system.

Private power has controlled the US monetary system ever since, creating continual bouts of recession and depression, culminating in the 2008 financial fiasco when the evaporation of trust between privately controlled banks destroyed the financial system and brought ruin to millions of American as they lost their jobs and then their houses.

For the good of us all, the time has come to reinstate public control of the monetary system. The movement to create public banks is a valid first step in that effort. The private money industry that supplies the vast percentage of funds political elites depend on to stay in office will fight this effort hard. But it is a job that must be done to stop the continual fleecing of the American people.



graphic: PBI

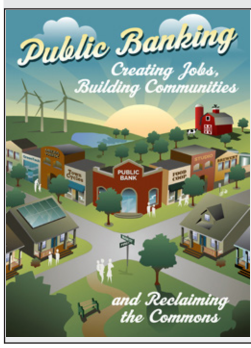
Justice Rising
15168 Caspar Road, Box 14
Caspar, CA 95420
707-964-0463
jr@thealliancefordemocracy.org

Jim Tarbell
Editor and Layout, *Justice Rising*

JUSTICE RISING is a publication of **the Alliance for Democracy,** whose mission is to end the domination of our politics, our economics, the environment, and our culture by large corporations. The Alliance seeks to establish true economic and political democracy and to create a just society with a sustainable, equitable economy.

Alliance for Democracy
P. O. Box 540115
Waltham, MA 02454-0115
Tel: 781-894-1179
Email: afd@thealliancefordemocracy.org
www.thealliancefordemocracy.org

Nancy Price and David Delk
Co-chairs of the AfD National Council



Robert Lanphear has been designing award-winning graphics and marketing solutions since 1990. He works with the Public Banking Institute on their graphic needs and has a design business in Seattle. See his website at www.lanpheardesign.com

Justice Rising

by Ruth Caplan

Much has been written critiquing the current economic system, particularly after the 2009 derivative-driven meltdown, which led to the Federal bail-out of the most malfeasant actors, while distressed homeowners were left with nowhere to turn.

Now, bail-outs have been replaced by "bail-ins." That's right. Thanks to the Dodd-Frank Regulatory Reform Act, there are to be no more tax dollars going to bail out the Wall Street banks. Yet these banks have continued placing derivative bets in the global gambling casino. Instead we now have "bail-ins" coming to us from the global banking center in Basel, Switzerland, and endorsed in a memo between the Bank of England and the FDIC. Bail-ins are a way to save "too big to fail" banks about to go belly up due to bad bets by turning certain kinds of deposits into stock in order to recapitalize the bank. Even government deposits secured by collateral requirements are potentially subject to bail-ins. What happens to the bank deposits of a municipal or state government? Can you imagine a city trying to meet payroll with shares of stock? We won't know how this plays out until it happens, but why take such a risk with our tax dollars? Public banks do not engage in the gambling casino, so they are safe from bail-ins.

We can wring our hands or we can organize. We in the Alliance vote for organizing. This is why we have taken on public banking as one of our four major campaigns. We believe that creating pubic banks is perhaps the most effective tool to free ourselves from the stranglehold Wall Street has on our communities.

Following the model of the Bank of North Dakota, we advocate for the creation of public banks, which make partnership loans with local banks, including cooperative banks, to create jobs and strengthen the local economy. We veer from the North Dakota model, established almost 100 years ago to promote industry and agriculture, in that we believe it is essential to organize for public banks in the context of promoting an environmentally sustainable economy that leads us away from climate catastrophe.

Ruth Caplan is the guest editor for this issue of Justice Rising.

PUBLIC BANKING INSTITUTE
Banking in the Public Interest

Thanks to the Public Banking Institute for their many contributions to this issue of Justice Rising.

AfD's Campaign to Create Public Banks

This issue of *Justice Rising* is part of the Alliance for Democracy's campaign to help establish public banks across the country. Our members are already working hard in Boston and Washington DC and will be getting involved in other campaigns. We are pleased to partner with the Public Banking Institute in this work and appreciate all their support as we have put together this issue of *Justice Rising*.

We are also pleased to support the newly created organization, BankACT, which will be promoting postal banking for the unbanked and underbanked.

This two-pronged approach establishes a clear public path for both retail banking through the US Postal Service and public partnership banking between public banks formed by our state, county or local governments and local community banks. Taken together, these campaigns will help the Alliance achieve its goal of cracking open the vise grip Wall Street has on our economy, our government and our lives.

Ruth Caplan chairs AfD's Public Bank Campaign and has developed this issue of Justice Rising to serve as a useful tool for public bank campaigns around the country. To order extra copies of this issue of Justice Rising please contact the Alliance for Democracy office. Call 781-894-1179 or e-mail afd@thealliancefordemocracy.org. To keep abreast of campaign developments, go to http://bit.ly/publicbanking

Coming up: The fall issue of *Justice Rising* will feature campaigns to establish the rights of local food producers and customers.

How Do You Start a Public Bank?

by Tom Sgouros

In a nation where the banking laws vary by state and local regulations and charter differences are substantial, it is simply not possible to create a public bank that will work equally well in every place. This is because we live in a nation where banking laws vary among the states. Local regulations and charter differences provide even more variation. Vast differences in local economic and political conditions create demand for certain services in some places but not in others.

There are questions of governance, capitalization, and political-will to address, not to mention coming up with a workable business plan. However, it is possible to break the process down into steps that make sense given your local conditions.

Step 1: Find a public policy problem where the solution is both possible and credit is an important component of that solution. Think strategically about a purpose that will mobilize whatever constituency you need to support the bank. If you need to get it through the legislature, think about what will appeal to a legislator. If you need to get it through a voter initiative, think about what will appeal to a voter. In one community, a bank designed to increase the supply of affordable housing could get traction, while in another, business lending or clean energy development might seem more important. In others, direct-to-consumer services like short-term credit or money transfers might be more important.

Don't worry if the purpose seems too narrow. The Bank of North Dakota was started to do agriculture lending, but has since grown to do much more. Start a bank to do one thing and if it is successful, it will find other things to do. This is what any successful organization does, not just banks.

Step 2: This step involves researching the legal and regulatory aspects, as well as the financial ones. Identify a source of the capital and deposits, and a target market to lend in. If you're going after affordable housing as a purpose, maybe this means coming up with a solution that will work through existing housing agencies. If you're after business lending, what is the local banking market like? To have the impact you want, do you need to corral all of your city or county deposits, or just some? Is this a need that crosses a county line? If so, can you come up with a governance structure that will appeal to counties or towns on both sides of that line?

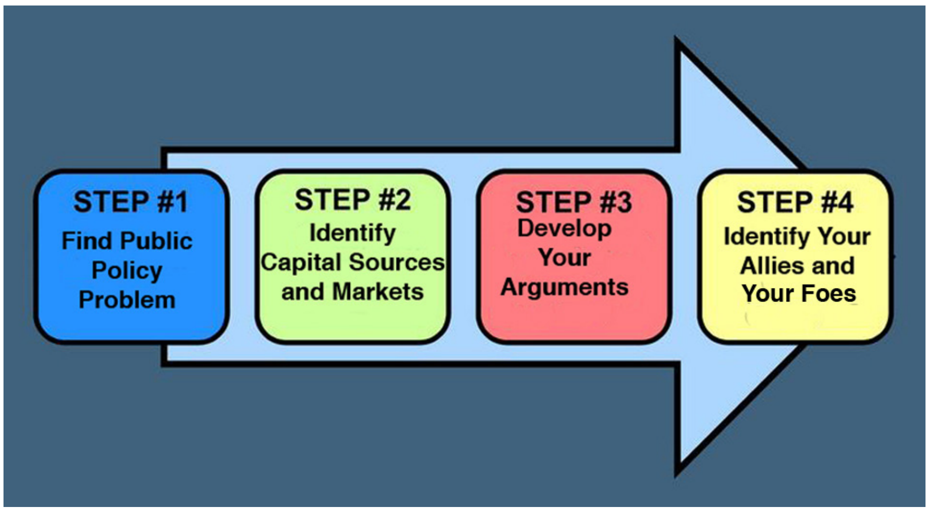
Step 3: Develop the arguments you'll use to promote it. For example, a bank aimed at clean energy development might project toward the increase in generating capacity it will produce five years from now. For a bank aimed at economic development lending, modeling improvements in gross economic output might be more useful. A bank aimed at self-finance for a county might show how it will reduce interest costs.

Ask yourself what arguments will be the most effective with your constituency, and focus on them. Will a bigger bank make a more effective argument? Will a smaller one? Is there a secondary function that will help? You may find yourself going back to Step 2 and adjusting your proposal to make a better case.

Step 4: Mobilize your constituency and move the ball forward. Extract the arguments from your research that will make the most headway, and get them out there. Identify key people and organizations that need persuading, and persuade them. Identify the unmovable people and organizations that will oppose you and work around them. Local banks are valuable potential allies; it is worth some effort to get some on board. At each step of your way, there is help to be found. I wrote a book that can help with some of it (http://checkingthebanks.com). You will need to enlist county executives, ex-bankers, lawyers and accountants. Remember, though, that a public bank hasn't been founded in the US in almost a century. No one alive has the experience to say with confidence how to do this, so everyone is just making it up as they go along. Just like you.

Tom Sgouros is an engineer and freelance policy consultant specializing in budgeting, economics, and public finance. He has consulted with public banking initiatives in several states, and has written Checking the Banks *to help people understand how banks work.*

Local banks are valuable potential allies; it is worth some effort to get some on board.



DC Public Banking Center, Washington DC

by Ruth Caplan

The campaign for a public bank in the nation's capitol began inauspiciously in August 2011 at the first Democracy Convention in Madison, Wisconsin when two women agreed to return to DC and convene a meeting on public banking. It then got a jump start when DC Mayor Gray announced he wanted DC to become the leader of sustainability in the country. Working groups were created with open participation, including one on green economics.

Lo and behold, a public bank emerged as one of two top recommendations and went on to be enthusiastically received when all the working groups convened. Mayor Gray created a Green Ribbon Advisory Committee and included a study for a public bank as one of his recommendations for Sustainable DC. Now there was an auspicious beginning.

Don't be fooled. No one ever said taking on Wall Street would be easy. The informal public bank working group, which had been meeting to develop a campaign, rebranded itself as the DC Public Banking Center and delved into creating a strategy to win. This included identifying likely allies, likely blockers, and those who might be swayed

Local banks and other local financial institutions were identified as key allies and perhaps the biggest challenge. Meetings were held early on with as many banks as possible to lay out how a DC public partnership bank would benefit them. This continues to be an essential component of the campaign, easily overlooked as other constituencies are pursued.

Organizing tools have been put in place: a clear mission statement; a strong, diverse Advisory Committee; a power point presentation; a website; fact sheets; a petition. With these tools, the campaign is reaching out to key constituencies including the religious community; labor; small businesses; local economic development advocates; environmentalists; and economic/social justice organizations.

The need for a feasibility study was identified early on with a list of essential elements, but the funding hurdle has not yet been surmounted. The University of Vermont Gund study has been a real inspiration to this effort.

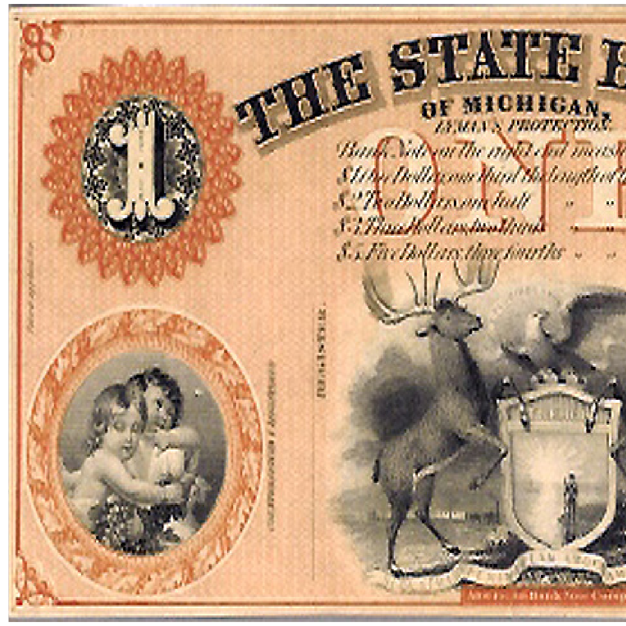
The DC strategy differs from many other campaigns in that introducing legislation is seen as one of the last steps. The bill needs to reflect concerns of various constituencies, which are key to passing the bill, as well as practical considerations from the CFO's office. And given how much political muscle Wall Street can throw at defeating any idea that threatens their hegemony, it is essential to build a broad and deep movement before introducing a bill.

Finally the DC campaign has a unique challenge. Not only has DC been denied a vote in Congress, any bill passed by the City Council can be vetoed by Congress. For more information see www.dcpublicbanking.org

graphic: Sustainable.DC

Public
Campaigns Acr

Ever since the financial melt-down in 2009, there has been a surge of interest across the country in public banking as a positive alternative to the derivatives-fueled global gambling casino. The personal suffering families experienced from the loss of their homes, after sub-prime mortgages



State Bank: The Solution for

by Dan Osterman

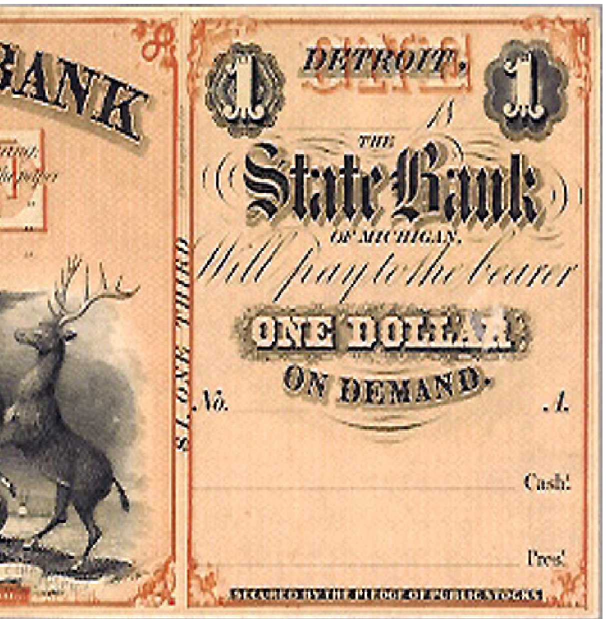
When it comes to the economy, government does have a necessary and proper role to protect a functioning free market and the rights of individuals to pursue their economic interests, maintenance of public infrastructure, and the undisturbed flow of commerce across borders. Essential to these functions is to support a banking system that seeks to serve the community, act as an incubator for businesses, and to protect the system from those who attempt to abuse it.

The actions of the Federal Reserve System, in concert with Wall Street bankers, has failed in its stated purpose, while repeatedly stealing the wealth of Americans; which has been felt no greater than in Michigan and in particular, Detroit.

If the Michigan legislature is serious about "reinventing" the state and reviving Detroit, their first priority should be a healthy and expanding community banking system, which can only be achieved by the

Banking
oss the Country

were repackaged into AAA bonds further fueling the sub-prime market, gave a face to the immorality of the Wall Street-driven system. Campaigns to create public banks sprang up from California to Maine. Here are three campaigns under way at the state and city levels.



r Michigan Economic Stability

establishment of a publicly-owned state bank. In order for Main Street businesses to survive and begin to rebuild the lost wealth of Michiganians, a local community banking system will have to play a lead role; and a publicly-owned state bank is the lynchpin to success. In a 2012 Dallas FED report by Gunther and Klemme it was stated, "Community banks are not only a major source of credit for job-creating businesses but also a stable one."

A Michigan economic recovery will only be possible when the majority of the money which circulates through its economy, stays in Michigan, and is no longer siphoned away by Wall Street.

Dan Osterman is an engineer/program manager as well as County Coordinator of Michigan Campaign for Liberty, and current Michigan GOP State Committee member for the 12th Congressional District.

Vermont: Turning an Economic Development Agency Into a State Bank

by Ruth Caplan

Vermont's campaign for a public bank began in 2010 on the heels of the financial crisis, and is now gaining considerable steam. With an innovative approach to creating a state bank, the campaign is built on a three-legged stool: a robust economic study, a Senate bill, and a grassroots campaign focused on town meetings.

Vermonters propose to turn the Vermont Economic Development Agency (VEDA) into a state bank. This solves the challenge of capitalizing a new bank since VEDA appears to have sufficient unrestricted capital to satisfy state guidelines.

This is the recommendation of an economic study, completed in December 2013 by the Gund Institute at the University of Vermont and the Political Economy Research Institute (PERI) at the University of Massachusetts. The report recommends beginning with a pilot program using a portion of state funds. If VEDA were combined with the Vermont Housing Finance Agency (VHRA), the study found that the state could make loans up to 66% of its 2013 unrestricted cash, resulting in

- 2,535 new jobs
- $192 million increase in Gross State Product
- $342 million increase in state output
- $100 million saved in interest costs for capital expenditures

Senate bill S204, introduced in 2014 by Senator Anthony Pollina and five co-sponsors, turns VEDA into a state bank and authorizes 10% of state cash reserves to be deposited in the bank.

The bank's purpose is to alleviate/prevent unemployment, raise per capita income, develop and increase industry, promote prosperity and general welfare, with specific references to abating air/water pollution, promoting renewable energy and helping small businesses.

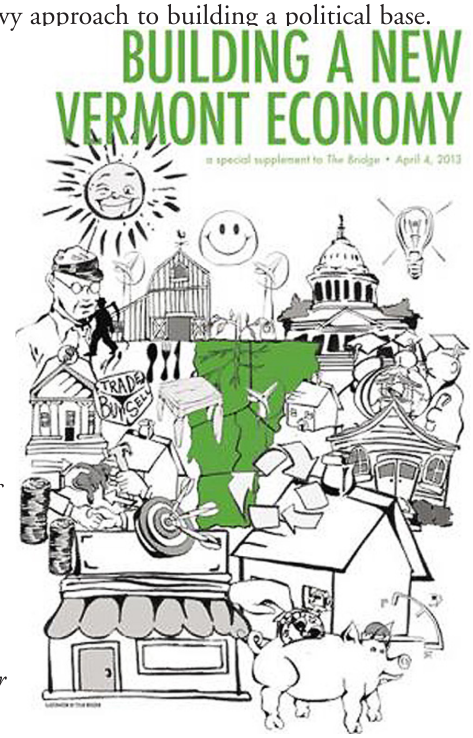
The bank would be run by a 15-member governing committee with a seven-member advisory committee to oversee development of the bank's initial lending priorities focused on renewable energy/energy efficiency; student loans; and local infrastructure.

Vermonters for a New Economy, which has spearheaded the campaign for a Vermont public bank, has taken a savvy approach to building a political base. Taking advantage of New England style grassroots direct democracy embodied in town meetings, they got a state bank on local agendas. This spring18 town meetings authorized resolutions directing the state to create a public bank — an impressive show of support.

Back to the future? Vermont had a successful state bank from 1806-1812. Governor Galusha's words, in addressing the Vermont House in 1809, ring true today as Vermonters mobilize for a public bank:

> *It is apparent that the establishment of a public bank in this State has saved many of our citizens from great losses, and probably some from total ruin…"*

Ruth Caplan was AfD's first Co-chair with Ronnie Dugger and is Co-director of the DC Public Banking Center.



graphic: The Bridge

The Bank of North Dakota:
Born out of Farm Foreclosures

by Ruth Caplan

The bank allowed farmers to rent their foreclosed land and, after the Depression, helped many farmers buy back their land.

The Bank of North Dakota (BND) serves as a beacon of light and hope to the movement for public banks springing up in our cities, counties and states across the country. But we must recognize that BND has come to its current position of strength through decades of vision, hope, struggle, set backs, and reinventing itself until today it is built on a firm foundation with a broad range of programs.

Prairie Public TV lays out the context of BND's founding in 1919 with these words describing the historical exploitation of North Dakota's farmers by an economic triumvirate:

> *By the turn of the century, North Dakota's economy was controlled by a cartel of Minnesota grain brokers, bankers, and railroads. The state's financial future was based on a single industry – agriculture – and a single crop – wheat. Despite repeated efforts by some state leaders to break free, the cartel's control of shipping, marketing and financing kept the state in the unenviable position of being little more than a Minnesota colony.*

This was just like conditions in the South that spawned the Populist Movement in the 1880s. In North Dakota, the farmers' revolt gathered steam with formation of the Non-Partisan League (NPL) in 1915, gaining 40,000 members in the first year. They sought to create state-owned mills, elevators, and packing plants, as well as state-owned, rural credit banks. The NPL incredibly won election of the governor, attorney general, secretary of state, agricultural commissioner and a majority of the House.

graphic: Nonpartisan Leader

In 1918, the NPL also won the Senate and State Supreme Court. In the following year they created the Industrial Commission made up of the Governor, Attorney General and Commissioner of Agriculture, and the Bank of North Dakota (BND) was born. They also established a state-owned mill and grain elevator.

The blowback was fierce. The Independent Voters Association (IVA) was formed by the bankers and their friends who prevented sale of bonds to capitalize the new bank sufficiently to make the promised loans. Just what we should expect from Wall Street today.

The next years were a roller coaster. In 1921, the Industrial Commission was recalled by a statewide referendum, but the bank survived. Labor fought back, selling bonds across the country and raising $6 million to capitalize the bank. The IVA dismantled many of the populist policies, but put the bank on sound financial footing. By 1924, the bank had made loans to more than 2200 farmers. Drought and economic recession followed. Farmers lost their farms. BND became the largest landowner in the state.

A combination of conservative banking policies and progressive social policies, which characterize BND to this day, was born during the Great Depression. When BND had to foreclose, the bank allowed farmers to rent their foreclosed land and, after the Depression, helped many farmers buy back their land. Further, BND "began financing state and county projects, investing in municipal bonds, and during the worst of the depression, buying subdivision warrants so that counties, cities, and schools could pay their employees when there wasn't enough cash to meet payroll."

BND thrived during WWII, financing loans to veterans and students and financing highway construction. Then in the 1950s, BND focused on providing banking services to local banks, while loans to farmers suffered from political discord. By the 1970s, BND was on an upswing with loan programs for farmers, small businesses, and student loans, only to once again be rocked by scandal, recession, and another major drought in the 1980s, with a bank bureaucracy which made it hard for farmers and small businesses to get loans when they were most needed.

In 1988, the state's populist roots came to the fore as the state held town meetings aimed at improving North Dakota's future. Over 6,700 people attended these meetings, giving second highest priority to remaking the culture of BND. Following up on this, the state legislature earmarked BND earnings for an economic revitalization program with a focus on partnerships. As reported on the BND website:

"For perhaps the first time in its history, the Bank of North Dakota had been given both the mandate and the funds to accomplish the mission envisioned by the Non Partisan League of 'encouraging and promoting agriculture, commerce and industry' in North Dakota."


graphic: BND

BND Is Thriving Today

by Ruth Caplan

With this robust history, the Bank of North Dakota (BND) was well positioned to respond to two devastating floods: the Red River flood of 1997 and the statewide flood of 2011. When the Red River rose 54 feet and breached a dike upstream, the city of Grand Forks flooded. Electrical equipment shorted out, causing a fire that burned down eleven buildings, 60 apartments, and the Grand Forks Herald with its 120 year archive. Fifty thousand people were evacuated. Three hundred fifteen businesses and 75% of area homes were inundated. Property losses topped $3.5 billion. The BND not only quickly came to the rescue with nearly $70 million in credit lines, it also coordinated disaster relief with the North Dakota Community Foundation and worked with federal agencies to defer student and home loans.

In 2011, when all of North Dakota's river basins flooded, BND again deferred mortgage and student loan payments. The bank loaned millions of dollars to state agencies for flood recovery efforts and created a Rebuilders Loan Program through local lenders offering loans at no more than 1% for the first 20 years and deferring payments altogether for the first 2 years. Another program provided financing for new construction, rehab and rentals to prevent homelessness.

Of course, banks are in the business of making loans and that's what BND primarily does. Over the years BND has developed a diversity of loan programs serving farmers, homeowners, students, and businesses ranging from small start-up to high tech businesses.

Most loans are made through participation with a lead financial institution, usually a bank, savings and loan, credit union or Farm Credit Services; however, the legislature has given BND specific lending authority to make loans to individuals, e.g., to help new farmers get started and students afford college.

It also provides low-cost financing for agricultural and commercial ventures. PACE (Partnership in Assisting Community Expansion) is BND's primary commercial lending program. The loans are done in partnership with local financial institutions, allowing local banks to participate in loans, which they could not make on their own given their size. Unlike when they do loans with Wall Street banks, the local banks don't need to worry about having their customers stolen.

Flex PACE allows the community to determine loan eligibility and accountability standards for borrowers that do not qualify under PACE, in order to retain jobs, promote retail and smaller tourist businesses, and provide essential community services.

Ag PACE helps farmers diversify by investing in nontraditional agricultural efforts to create "value added" processing plants or other related businesses.

Other BND commercial loan programs are aimed at beginning entrepreneurs, higher risk endeavors, venture capital, and, most recently, financing non-profit health care facilities.

Recently BND initiated a home loan program. Surprisingly, the North Dakota Bankers Association is fully supportive. Their statement highlights unintended consequences.

> *Over the past years, because of the regulatory burdens our banks face by the passage of Dodd-Frank, and now the creation of the Consumer Financial Protection Bureau, it has become very prohibitive for a number of our banks to provide residential mortgage services anymore. We, two years ago, worked both with the Independent Community Bankers Association, and our Association and the Bank of North Dakota to come up with this idea in this program to help the bank provide services into the parts of the state that really residential mortgaging has seized up. We have a number of our banks that have terminated doing mortgage loans in their communities. They have stopped the process because they cannot afford to be written up by their regulator.*

Over the years, BND has proven to be flexible and innovative because it is not driven by maximizing profits, but rather to serve the people, local businesses and communities of North Dakota by working in partnership with existing financial institutions. Today North Dakota has a thriving private banking sector able to withstand the tsunami of the 2009 financial crisis and to prevent being taken over by Wall Street banks, largely due to the presence of the Bank of North Dakota.

BND has developed a diversity of loan programs serving farmers, homeowners, students, and businesses ranging from small start-up businesses to high tech.

Why It Works in North Dakota

"…the Bank of North Dakota is successful because we are partners with North Dakota's financial institutions, not competitors. This was so important that one of the bank's founding principles was "to be helpful to and to assist in the development of state and national banks and other financial institutions and public corporations within the state and not, in any manner, to destroy or to be harmful to existing financial institutions.' This directive continues to guide every decision made at the bank today."

Eric Hardmeyer, BND President and CEO

Postal Banking:
Prosperity for Struggling Communities

by Ira B. Dember

34 million mostly low-income households, about a quarter of all US households, don't have bank accounts.

January 27, 2014 was a Monday like any other, until it wasn't. That's when the Office of Inspector General of the US Postal Service released a report that changed everything. The OIG proposed that America's 30,000 post offices offer desperately poor working families short-term emergency payday loans, essentially small advances against their paychecks.

This proposal came as stunning news because it would solve one of society's most pressing problems. Today, some 34 million mostly low-income households, about a quarter of all US households, don't have bank accounts. Or they don't have enough money to use accounts effectively, or don't have easy access to banks. When there's an emergency, these desperate folks turn to payday lenders.

The OIG report offers this typical example: you borrow $375 for about five months, but must pay $520 in exorbitant interest and fees. The effective interest rate (APR) comes to nearly 400%. Again, that's typical. Some lenders charge more.

These loans work exactly as corporate lenders designed them to. They drive people with no alternative deeper into debt. In 2013 alone, payday lenders cost poor folks $89 billion. For payday borrowers, it averaged more than $2,400 a year in exorbitant interest and fees. For many workers, that's a full month's hard-earned wages, almost as much as a family's annual food budget.

And the problem's getting worse. Predatory lenders are on track to suck $95 billion out of struggling low-income communities in 2014.

These predators can be driven out simply by tightening usury laws. But that would leave the poor without a way to get emergency loans, at any price. (Most banks won't touch them. Banks have been deserting the poor for years.)

Enter the US Postal Service. At various times in the past, the USPS has offered a variety of financial services, even savings accounts. Now the Inspector General proposes bringing the USPS into the 21st Century with basic financial services designed mainly for low-income people, and for the "unbanked" — millions of Americans who don't have bank accounts.

Remember that $375 loan? And the predatory $520 cost? The OIG report estimates that you'd be able to get the same loan at your local post office for, well, $48. Total.

At that price, the OIG says, the Postal Service would still make a tidy profit. In fact, it would help stabilize the USPS's finances at a time when first class mail usage is declining. That could preserve endangered postal services like Saturday delivery, and keep the USPS from closing and selling off post offices, an outrage today in many communities.

Meanwhile, low-income workers and families would get to keep $80 billion of their hard-earned money. It would be almost like getting a hefty raise, without costing employers or taxpayers a dime.

The Postal Service would need to staff up to handle financial services at post offices, preserving and perhaps creating decent-paying jobs. Families would be able to buy more food and other necessities, injecting $80 billion a year into local economies. That too would create more jobs and help raise many folks above the poverty line.

This significant economic stimulus could help reduce the need for public assistance, which in turn would ease pressure on states and municipalities, and their taxpayers.

There's so much common sense in the OIG's postal banking proposal. Senator Elizabeth Warren came out strongly in favor within days of its release. Other leaders are getting on board.

Naturally, bankers, conservatives and Congress are opposed. It will likely take a KXL Pipeline-type uprising to get postal banking into America's post offices, and resulting benefits into communities.
Are you ready?

Ira Dember writes extensively on financial fairness. He lives in Houston but somehow never lost his New York accent.

Kiwi Bank: The Full Monte

by Ruth Caplan

The history of public banking in New Zealand goes back to the election of its first Labor government in 1935 and creation of the Reserve Bank of New Zealand to promote the "economic and social welfare of New Zealand." The bank issued credit at 1% and 1.5% to fund state housing and reduce unemployment and to finance dairy farmers and the government, e.g., for road building.

But the post WWII Bretton Woods agreement, which set up the IMF and World Bank, ended the era of cheap credit as neoliberal theory took hold.

The drought ended in 2002 when a new Progressive Party browbeat the Labor Party into creating a state-owned postal bank which today has more than 800,000 customers with local branches in 280 "Postshops." This approach allowed the bank to be readily accessible to people and to avoid the cost of office space.

While first conceived as a way to provide banking services to the unbanked through the Postshops, the Kiwi Bank now provides a full range of personal banking services, much online, including credit cards, home and car loans, home/car/life/travel insurance, even a range of investment fund options. It also makes business loans and provides international banking services such as funds transfer and foreign exchange.

German Banking Models

by Steve Seuser

Germany's economy is powered in part by a centuries-long tradition of different banking models, and an estimated 65-70% of Germany's banking sector are not traditional private banks as we know them in the US. These German banking models include public, hybrid, or cooperative entities.

Förderbanken Development Banks are 17 state development banks and two national public banks similar to Bank of North Dakota. As bankers' banks, they do not initiate loans directly with customers. Customers apply for loans through commercial banks, savings banks, or other types of local banks, which may forward the application on to these state development banks for partial funding of the loan. Each development bank establishes its own lending priorities, which include affordable housing; small to medium-sized businesses; agriculture; sustainable development; renewable energy; public infrastructure; transportation; information technology, and other public purposes.

One of the national development banks, KfW was established after WWII by the US/German Marshall Plan to rebuild the German economy. It now focuses on small and medium-sized businesses, infrastructure, housing, renewable energy, and international development. The other national bank, Rentenbank, focuses on agriculture and rural development. Both national banks can participate in loans through the 17 state development banks.

Sparkasse Community Savings Banks serve consumers and small businesses. They operate at the community or regional level and are mainly public entities without private shareholders. These are the front-line banks for many German households and small businesses, providing secure and affordable banking services. Locally operated, they are members of regional associations of savings banks, and networked with state Landesbanken.

The German savings bank model was first established in Hamburg in 1778 and has been adopted in 80 countries worldwide, including the US, where they were known as savings and loans (S&Ls). While federal deregulation of S&Ls in the United States during 1980s led to significant fraud, the S&L crisis, a federal bailout, and the takeover of the sector by private banks; in Germany, only limited financial challenges have occurred, and savings banks remain key to the local economy.

Landesbanken State Banks are mostly public banks serving states within Germany. These state banks act to build the state's economy, serve as business banks, and perform other services for savings banks, other banks, and government entities. Due to bad loans beginning in the 1970s, state banks have faced increasing public criticism and regulation. The 2007-08 financial crisis further exacerbated the situation, forcing one state bank to close. Other states already have or are considering privatizing their state banks.

Raiffeisenbank/Volksbank Co-op Banks, serving consumers and small businesses, are named for their founder, 1800s social reformer Friedrich Wilhelm Raiffeisen. He started them to provide capital to farmers and other agricultural businesses under the slogan, "One for all and all for one." Over time, the Raiffeisenbank/ Volksbank, and their affiliates have evolved to serve consumers and small businesses throughout Germany and in several other European countries. Similar to credit unions in the US, these German entities are structured as private Co-ops owned by their 17 million members operating in networks similar to savings banks. Co-op affiliates provide a full spectrum of financial services to members.

Public, hybrid, and co-op banks in Germany serve as important economic building blocks that provide needed capital and services to consumers, businesses, government agencies, and the broader economy. German banks have shown they are not immune to mistakes and failure. A good regulatory framework, accountable leadership, and public oversight are important elements to success for states and communities across the US considering public banking options.

Steve Seuser works with the DC Public Banking Center to establish a Washington, DC public bank and has over 25 years of experience working with the public, private and nonprofit sectors in the areas of sustainability, affordable housing, economic development, and nonprofit capacity building.

Public, hybrid, and co-op banks in Germany serve as important economic building blocks that provide needed capital and services to consumers, businesses, government agencies, and the broader economy.

graphic: Raiffeisenbank

Public Banking — Groups—

The Public Banking Institute (PBI) was founded by Ellen Brown in 2011 to promote public banking in the U.S. at all levels — local, regional, state, and national — as a sustainable alternative to the current high-risk centralized private banking system. PBI envisions banks functioning as public utilities, run transparently and democratically, and serving the public interest. It is part of the New Economy movement.

Through its writing and website, national conference calls for public bank activists, webinars, blogs, public forum presentations, and consultations, PBI is an invaluable resource for the growing movement. Periodically, PBI hosts conferences such as the Funding the New Economy conference in San Rafael, California in June 2013, which attracted over 700 attendees, and featured presentations by Matt Taibbi, Gar Alperovitz, Birgitta Jónsdóttir, Michael Lerner, and other leading advocates of economic justice.

The list of public banking campaigns and contacts, which follow, are indicative of the amazing work PBI has done to inspire activists in just over two years. For more information about PBI, go to http://publicbankinginstitute.org

Inspired by the US Postal Service's recent proposal for postal banks, **BankACT** is a newly created non-profit, which complements the Public Banking Institute by focusing on the need for the working poor to have access to low-cost banking services. As a 501(c)(4) membership-based organization, BankAct will serve as a rallying point for organizations across America to demand that Congress and the USPS leadership establish postal banking. These include the National Association of Letter Carriers, the American Postal Workers Union, and organizations seeking economic justice for the working poor including, and especially, single working moms, immigrants, people of color and retirees.

In the span of a decade, postal banking could help low-income workers and families retain over $1 trillion of their own hard-earned wages now taken by payday lenders and other financial predators. Thus postal banking would improve millions of lives and help many families rise out of poverty — at no cost to employers or taxpayers.

BankACT's campaign will unite rural and urban Americans demanding that the USPS offer postal banking at 30,000 post offices coast to coast. To learn more — or, better yet, leap into the fray! — visit BankACT.org or e-mail Marc Armstrong at marc@bankact.org

Public Banking Campaigns Across the Country

ARIZONA
Arizona Public Banking Coalition
www.arizonapublicbanking.org
Contact: James Hanley
jhannley2@msn.com

BOSTON MA
Hub Public Banking
www.hubpublicbanking.org
Contact: Stephen Snyder
asterix40@gmail.com

CALIFORNIA
Contact: Susan Harmon
susanharman1@gmail.com

COLORADO
Colorado Public Banking
Contact: Robert (Bob) Bows
robert.bows@gmail.com

DISTRICT OF COLUMBIA
DC Public Banking Center
www.dcpublicbanking.org
Contact: Ruth Caplan
rcaplan@igc.org

LOS ANGELES CA
Contact: Lauren Steiner
laurensteiner57@gmail.com

MENDOCINO COUNTY CA
Mendocino Public Bank Coalition
Contact: Mary Zellachild
maryzel@willitsonline.com

MICHIGAN
Innovative Solutions for Prosperity
Contact: Dan Osterman
drosterman@sbcglobal.net

NEVADA COUNTY CA
Economic Liberty for Main Street
www.mainstreetforumnc.org/discussion-topics/publicbanks/
Contact: Rick Robins
rick.robins@mainstreetforumnc.org

NEW JERSEY
New Jersey Public Bank Campaign
Contact: Joan Bartl
joanbartl@paymentmgmt.com

NEW MEXICO
WeArePeopleHere! – BankingOnNewMexico
www.WeArePeopleHere.org/actions
Contact: Nichoe Lichen
BankingOnNewMexico@gmail.com

NEW YORK
Contact: Scott Baker
NYS Coordinator for PBI
ssbaker305@yahoo.com

PENNSYLVANIA
Pennsylvania Project
www.publicbankingpa.org
Contact: Mike Krauss
mike@publicbankinginstitute.org

SONOMA COUNTY, CA
Contact: Jack Wagner
jack@publicbankinginstitute.org

VERMONT
Vermont Partnership Bank
http://vtpublicbank.com/
Contact: Gwen Hallsmith
gwenhs@gmail.com

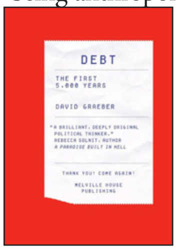
VIRGINIA
Virginia Council
www.vacouncil.org
Contact: Marc Armstrong
marc@publicbankinginstitute.org

WASHINGTON STATE
Washington Public Bank Coalition
www.washingtonpublicbankcoalition.org
Contact: Cindy Cole
cindy48@q.com

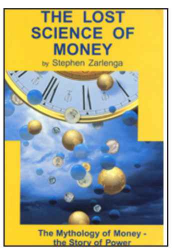
—Books — Creating Jobs & Building Community

by Jim Tarbell

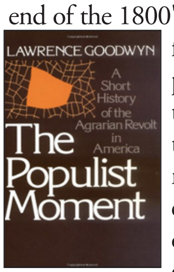
I have been reading books about money for forty years and David Graeber's *Debt: the First 5000 Years* is the best I have seen on the origins of money. Using anthropological tools and research, he presents a strong story of how money is a tool of culture rather than a tool of business. He shows how the concept of money came from social attempts to value the invaluable: a human life, human relationships, human ability, etc. Once he establishes the beginning, he walks the reader through money's sociological history from the times of the ancient Greeks through the middle ages and the Age of the Great Capitalist Empires, to the current epoch of financialization which he pinpoints as beginning in 1971. It is a very thought provoking journey indeed.



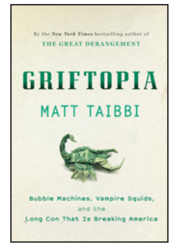
Stephen Zarlenga's *The Lost Science of Money* follows somewhat of the same path, but rather than looking at anthropological traits, he concentrates on the details lost from our history books. He argues convincingly that the public good has fared much better when the control of money has been under the auspices of a public authority rather than private merchants and bankers. His information about the period from 1600 to the present is particularly interesting, as the world swung between public financial administrations that benefitted the public good and disastrous episodes—including our present period — when bankers and traders used their control of our money supply to fleece everybody. It is a convincing tale that governments should be firmly in control of the money supply.



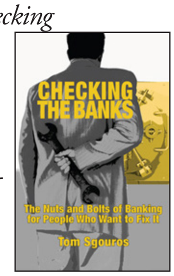
Lawrence Goodwyn's *The Populist Moment* is the tale of the last great popular movement to wrest the power and administration of money away from the private money power. It is the story of American farmers throughout the Mid West and South at the end of the 1800's who found themselves trapped in a feudal financial system. Their multiple efforts from building huge co-ops to political movements, were consistently squashed by the power of money; not because they were not economically valid, but because they challenged the status quo. Their greatest idea, to create a new agriculture-financing institution, would have made the world better for everyone except the financial middlemen and bankers that were bleeding them dry.

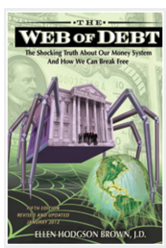


No one has reported on our current financial catastrophe better than Matt Taibbi of *Rolling Stone* magazine. His book *Griftopia: Bubble Machines, Vampire Squids and the Long Con that is Breaking America* is his entertaining and provocative tale of the financial giants that drove the global economy into ruin in 2008. It tells of the principal government overseer of the financial system, Alan Greenspan, who instead of looking out for the public good, turned the reigns over to self-serving Wall Street elites, who praised him all the way. From there Taibbi goes on to the Wall Street inspired real estate bust and other calamities that ruined the monetary system for the average American, throwing them first out of their jobs and then out of their homes.



Finally, Tom Sgouros gives people who want to start fixing the problem the basic information they need to understand the banking world. His *Checking the Bank: The Nuts and Bolts of the Banking System for People Who Want to Fix It* not only goes through the minutiae of the banking business from their accounting mechanisms to their risk taking analysis, it also carries on a commentary in the footnotes about how this or that aspect of the banking business was crucial during the financial crisis. But the best part of his book is the last chapter, that not only talks about creating public banks but also presents a whole series of alternative banking strategies that local governments can use to benefit the good of their community rather than the wealth of Wall Street.

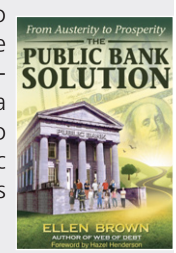




by Ruth Caplan

Ellen Brown is the inspiration behind the public bank movement ,which has popped up like mushrooms from an underground system of public indignation over the rape of public wealth by Wall Street banks and their ilk. Her first book, *Web of Debt*, is an eminently readable, yet highly detailed, account of the history of our money system. Using the Wonderful Wizard of Oz as a leitmotif, Brown documents the struggle between the people and the banks starting with the colonies and Ben Franklin, through Lincoln and the Greenbacks, fast forward to the derivatives melt-down and the need to take on the banks and nationalize the Federal Reserve. This is an essential read for anyone who wants to change the financial system.

In her second book, *The Public Bank Solution, From Austerity to Prosperity*, Brown takes the reader back to antiquity and around the globe to show that the idea of public banking has deep roots and wide branches, while she continues her critique of the present dominant financial system. From Japan to New Zealand, from Canada to North Dakota, she recounts how public banking has proven to be a workable system. As founder and president of the Public Banking Institute, Brown's writing continues to inspire activists who pursue public banking as a viable alternative.



100 Years Is Enough

Time to Make the Fed a Public Utility

Mr. Chairman, we have in this Country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks . . . .The depredations and iniquities of the Fed has cost enough money to pay the National debt several times over. . . .Some people think that the Federal Reserve Banks are United States Government institutions. They are private monopolies which prey upon the people of these United States for the benefit of themselves and their foreign customers; foreign and domestic speculators and swindlers; and rich and predatory money lenders. These twelve private credit monopolies were deceitfully and disloyally foisted upon this Country by the bankers who came here from Europe and repaid us our hospitality by undermining our American institutions. — Congressman , Representative Louis McFadden, 1934

by Ellen Brown, excerpted with permission

"I stand with Jefferson . . . and tell them, as he did, that the issue of money is a function of the government and that the banks should go out of the governing business."

William Jennings Bryan

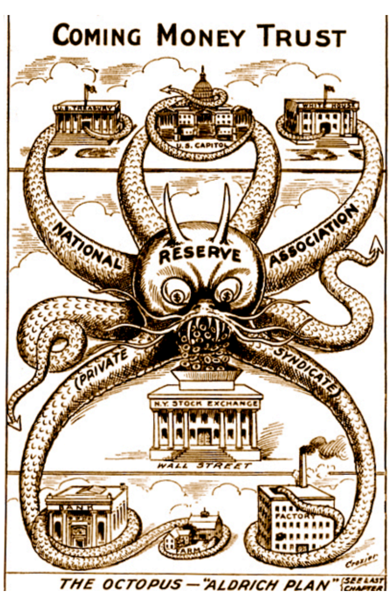
December 23rd, 2013, marked the 100th anniversary of the Federal Reserve, warranting a review of its performance. Has it achieved the purposes for which it was designed?

The answer depends on whose purposes we are talking about. For the banks, the Fed has served quite well. For the laboring masses, whose populist movement prompted it, not much has changed.

The Federal Reserve Act was passed in 1913 in response to a wave of bank crises, which had hit on average every six years over a period of 80 years. The resulting economic depressions triggered a populist movement for monetary reform in the 1890s. Mary Ellen Lease, an early populist leader, said in a fiery speech that could have been written today:

Wall Street owns the country. It is no longer a government of the people, by the people, and for the people, but a government of Wall Street, by Wall Street, and for Wall Street. The great common people of this country are slaves, and monopoly is the master. . . . Money rules . . . .Our laws are the output of a system which clothes rascals in robes and honesty in rags. The parties lie to us and the political speakers mislead us.....

We want money, land and transportation. We want the abolition of the National Banks, and we want the power to make loans direct from the government. We want the foreclosure system wiped out.



Alfred Owen Crozier's 1912 depiction of the Federal Reserve. It is a prescient warning, given the ability of the Fed to make the American people continually support the needs of Wall Street banks.

That was what they wanted, but the Federal Reserve Act that they got was not what the Populists had fought for, or what their leader William Jennings Bryan thought he was approving when he voted for it in 1913. In the stirring speech that won him the Democratic presidential nomination in 1896, Bryan insisted:

[We] believe that the right to coin money and issue money is a function of government. . . . Those who are opposed to this proposition tell us that the issue of paper money is a function of the bank and that the government ought to go out of the banking business. I stand with Jefferson . . . and tell them, as he did, that the issue of money is a function of the government and that the banks should go out of the governing business….

What Bryan and the Populists sought was a national currency issued debt-free and interest-free by the government, on the model of Lincoln's Greenbacks. What the American people got was a money supply created by private banks as credit (or debt) lent to the government and the people at interest. Although the national money supply would be printed by the U.S. Bureau of Engraving and Printing, it would be issued by the "bankers' bank," the Federal Reserve. The Fed is composed of twelve branches, all of which are 100 percent owned by the banks in their districts. Until 1935, these branches could each independently issue paper dollars for the cost of printing them, and could lend them at interest.

The Treasury's website reports the amount of interest paid on the national debt each year, going back 26 years. At the end of 2013, the total for the previous 26 years came to about $9 trillion on a federal debt of $17.25 trillion. If the government had been borrowing from its own central bank interest-free during that period, the debt would have been reduced by more than half. And that was just the interest for 26 years. The federal debt has been accumulating ever since 1835, when Andrew Jackson paid it off and vetoed the Second U.S. Bank's renewal; and all that time it has been accruing interest. If the government had been borrowing from its central bank all along, it might have had no federal debt at all today. It may be time for a new Populist movement, one that demands that the power to issue money be returned to the government and the people it represents; and that the Federal Reserve be made a public utility, owned by the people and serving them. The firehose of cheap credit lavished on Wall Street needs to be redirected to Main Street.

Ellen Brown is an attorney, author and the Founder of the Public Banking Institute.

ALLIANCE FOR DEMOCRACY

JOIN NOW!

Membership includes a subscription to *JUSTICE RISING*

Name ______________________________

Address ______________________________

____

Phone ______________________________

Email ______________________________

☐ $50 membership
☐ $35 regular membership
☐ $25 tight-budget membership
☐ Monthly sustaining member @ ______/mo.
☐ I want to be a member, but can't afford a donation now.
☐ __________ additional contribution.

Chapter Affiliation ______________________________

Method of Payment (circle one): Mastercard Visa Check Money Order

Card#______________________ Exp. Date________________ Signature________________

Please clip and return to Alliance for Democracy, P.O. Box 540115, Waltham, MA 02454-0115

ALLIANCE FOR DEMOCRACY

P.O. Box 540115
Waltham, MA 02454-0115

Tel: 781-894-1179
Email: afd@theallliancefordemocracy.org
www.theallliancefordemocracy.org

Why You Should Care

Money Power Creates a Dismal Future

The financial industry contributes twice as much money to political campaigns as any other industry and spends far more than any other sector lobbying our government, weakening essential financial protection legislation like Dodd-Frank. Wall Street bankers run our Treasury and the Federal Reserve to ensure their control over the money supply and their earnings from government debt. Big banks and their financial allies continue placing bets on derivatives spelling economic disaster for the rest of us.

Private Banks Bankrupt Government

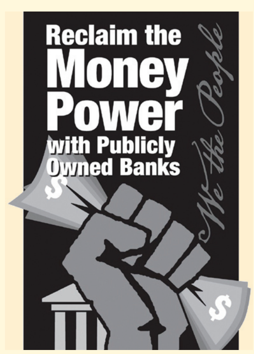
In their drive to maximize profits, the private banking industry has been preying on local governments, selling them snake oil like "credit-default swaps." Detroit and other cities have been bankrupted by such financial schemes. Meanwhile the Federal Reserve, run by the private banks, keeps the federal government in debt by loaning the government money which the Fed just creates out of thin air.

Public Control of Money is Necessary

Our privately created and controlled money supply has taken us on a 300-year roller coaster ride guaranteeing that the private money industry reaps the benefits of the system, while the rest of us pay the price. Public money proponent and 1884 Presidential Candidate General George Butler made the logical declaration that currency should be "uniform, sound, cheap, stable, and elastic." But to make that happen, money has to be publicly controlled.

Working Poor Need a Working Bank

Our banking system should work for the good of everyone. But it does not work for America's poor. A quarter of all US households, 34 million, mostly low-income households, do not have bank accounts. Banks will not even locate in poor communities. The residents of those neighborhoods must depend on a vulture industry of payday lenders that charge an average 400% interest, costing low-income communities $95 billion dollars a year, trapping them in a life of poverty.



What You Can Do

Join the Public Bank Movement

Money is power. Until money is placed under public control, the power will reside in the vaults of our corporations and banks. To start taking back the power, create a public bank in your city, county or state. To find out how to get involved in the public banking movement that is spreading across the country, check out the Public Banking Institute at publicbankinginstitute.org And use Justice Rising to spread the word.

Support Local Institutions

Begin with grassroots action. Put your money into credit unions and local banks. Encourage your local government to move its money out of Wall Street banks and into local financial institutions, while making clear that partnership loans with a public bank will do far more to strengthen the local banks. Remember, deposits are a liability while loans are an asset.

Push for Publicly Controlled Money

Join the movement to nationalize the Federal Reserve. Encourage your Congressional delegation to embrace the power embodied in the U.S. Constitution to control our own money supply and to print our own currency. This way we will free ourselves from the stranglehold Wall Street has on our families and our communities and prevent our homes from being used as pawns in the race to unearned wealth.

Help the Working Poor Get a Bank

The US Postal Service providing banking services for the working poor is a win/win solution for the people, the Post Office and society in general. Postal banks are popular throughout the world. The US had postal banking services until the 1960s. The Office of Inspector General of the US Postal Service recommends it. The working poor need it. Senator Elizabeth Warren supports it. Join with Bank Act.org to get involved.